

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW IMMEDIATE

S E C R E T STATE 237288

NODIS

E.O. 11652: GDS

TAGS: ETRD, EEWT, UR, US

SUBJECT: GRAIN/OIL AGREEMENTS

REF: A) STATE 237177; B) MOSCOW 14182; C) MOSCOW 14186.

FOR UNDER SECRETARY ROBINSON

1. GENERAL FEELING WITHIN DEPARTMENT IS THAT YOU SHOULD MAKE ANOTHER TRY AT NEGOTIATING BASED ON GUIDANCE IN REFTEL (A). WE WOULD THEN PROPOSE TO BRING YOUR ASSESSMENT OF WHERE THINGS STAND WITH RESEPECT TO EACH ISSUE IN REFTEL (A) TO SECRETARY AND SEIDMAN WORKING GROUP. BELIEVE THIS IS NECESSARY BECAUSE OF HIGH DEGREE OF INTERDEPENDENCE BETWEEN MANY POINTS IN REFTEL (A) AND NEW PROPOSALS IN REFTELS (B) AND (C), AND ESPECIALLY WITH RESPECT TO OIL FOR REASON INDICATED IN PARA. 3 OF THIS

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MESSAGE.

2. INITIAL REACTIONS WITHIN THE DEPARTMENT TO PROPOSED
ESCAPE CLAUSE PROVISION IN REFTTEL (C) ARE AS FOLLOWS:

A. THE DEGREE OF DIFFICULTY YOU ARE HAVING IN
NEGOTIATING ON THIS ISSUE PER REFTTEL (A) NOT WELL
UNDERSTOOD. PARA. 1 OF REFTTEL (B) INDICATES SUGGESTION BY
PATOLICHEV THAT IS VERY CLOSE TO GUIDANCE IN REFTTEL (A).
GUIDANCE IN PARAS. 2 AND 3 OF REFTTEL (A) ASSUMES WE WOULD
MAKE CONTENTS OF SIDE LETTERS ON ESCAPE CLAUSE KNOWN TO
CONGRESS WHICH SHOULD REDUCE CRITICISM YOU CITE IN
PARA. 2 OF REFTTEL (C).

B. PROPOSAL IN REFTTEL (C) MITIGATES STRONGLY AGAINST USE
OF EXPORT CONTROLS SHOULD THAT BECOME LIVE POSSIBILITY.

C. WE INTERPRET PARA. 5, REFTTEL (C) LANGUAGE TO GIVE
SOVIETS OPTION TO COMPLETELY TERMINATE THE AGREEMENT
SHOULD US EXPORTS ALLOWED TO USSR FALL BELOW SIX MILLION
TONS. PERHAPS THE AGREEMENT COULD BE SUSPENDED FOR ONE
YEAR UNDER SUCH CIRCUMSTANCES; OR PERHAPS THE US COULD
HAVE AN OPPORTUNITY TO MAKE UP THE TOTAL OF SIX MILLION
TONS IN THE FOLLOWING CROP YEAR BEFORE SOVIETS COULD
TERMINATE AGREEMENT.

3. AS TO SUGGESTIONS RE OIL IN PARA. 5 OF REFTTEL (B),
BECAUSE OF INTENSE INTEREST IN THIS ASPECT OF NEGOTIATIONS,
IT APPEARS APPROPRIATE TO CONTINUE WITH PRESENT GUIDANCE
BEFORE FALLING TO POSITION OF MORE THAN 30 DAYS AND TO
PRICES THAT ARE "MUTUALLY AGREED". IF YOU FIND POSITIONS
ON OIL IN PRESENT GUIDANCE REFTTEL (A) CANNOT BE OBTAINED,
WE WOULD CONSIDER PROPOSING HIGHEST LEVEL INVOLVEMENT
WITH RESPECT TO THIS ISSUE.

4. AS SOON AS RECEIVE FULL REPORT ON REFTTEL (A) GUIDANCE
FROM YOU, WE WILL OBTAIN ADDITIONAL GUIDANCE FROM
SECRETARY AND SEIDMAN WORKING GROUP, AS WELL AS PRESIDENT,
IF APPROPRIATE.

5. FOR YOUR INFORMATION, UPI REPORT ON SENATOR STONE
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INTERVIEW WITH PRESS IN JACKSONVILLE, FLORIDA, ON
OCTOBER 4, FOLLOWS:

QUOTE

FINALIZATION OF A UNITED STATES OIL DEAL WITH THE SOVIET
UNION WILL COME SHORTLY AND THE PRICE WILL BE DISCOUNTED
FROM WORLD PRICES.

STONE TOLD THE FLORIDA TIMES-UNION THE AMOUNT OF THE

DISCOUNT GRANTED BY THE RUSSIANS WAS 'SIGNIFICANT',
ALTHOUGH HE DECLINED TO DISCLOSE THE ACTUAL FIGURE.

BECAUSE OF THE WHEAT THE UNITED STATES IS USING TO TRADE
WITH THE SOVIET UNION, STONE SAID 'THERE IS NO QUESTION'
THE DEAL WILL CAUSE AN 'UPWARD PRESS ON FOOD PRICES'.

BUT STONE ADDED HE IS PLEASED WITH THE AGREEMENT SINCE
THE SOVIET OIL WILL BE DISCOUNTED FROM THE WORLD PRICE
WHILE US GRAIN 'WILL NOT BE SOLD AS A DISCOUNT'.

AFTER TALKING WITH SEN. HERMAN TALMADGE, D-GA., CHAIRMAN
OF THE SENATE AGRICULTURE COMMITTEE, AND UNDER SECRETARY
OF STATE CHARLES W. ROBINSON, STONE SAID HE EXPECTS
FINALIZATION OF NEGOTIATIONS 'IN THE NEXT FEW WEEKS'.

STONE SAID THE DEAL WOULD 'NOT BE STRICTLY BARTER' BUT
WOULD BE 'MORE OR LESS AN EXCHANGE'. HE SAID THE AGREEMENT
WILL 'PROBABLY BE ON A MEASURING YARDSTICK BASED ON HOW
MUCH WHEAT WE SENT THEM,' ALTHOUGH EACH SIDE WILL USE
CASH FOR THE ACTUAL PURCHASES.

STONE SAID 250,000 BARRELS PER DAY WOULD BE 'A GOOD START'
WHEN THE UNITED STATES STARTS RECEIVING THE OIL IMPORTS
FROM RUSSIA. END QUOTE. KISSINGER

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